

OCT 6 1958



annual report

**BARVUE MINES
L I M I T E D**

Suite 407, 25 Adelaide St. W. - Toronto 1, Ontario

BARVUE MINES LIMITED



OFFICERS

H. W. KNIGHT	-	-	-	-	-	-	-	-	-	<i>President</i>
EWART R. ANGUS	-	-	-	-	-	-	-	-	-	<i>Vice-President</i>
S. A. PERRY	-	-	-	-	-	-	-	-	-	<i>Secretary-Treasurer</i>
G. D. PATTISON	-	-	-	-	-	-	-	-	-	<i>Assistant Secretary-Treasurer</i>

DIRECTORS

H. W. KNIGHT	-	-	-	-	-	-	-	-	-	Toronto, Ont.
EWART R. ANGUS	-	-	-	-	-	-	-	-	-	Toronto, Ont.
S. A. PERRY	-	-	-	-	-	-	-	-	-	Toronto, Ont.
J. I. CUMMINGS	-	-	-	-	-	-	-	-	-	Ottawa, Ont.

BANKERS

THE TORONTO-DOMINION BANK	-	-	-	-	-	-	-	-	-	Toronto, Ont.
CANADIAN BANK OF COMMERCE	-	-	-	-	-	-	-	-	-	Barraute, Que.

AUDITORS

THORNE, MULHOLLAND, HOWSON & MCPHERSON	-	-	-	-	-	-	-	-	-	Toronto, Ont.
--	---	---	---	---	---	---	---	---	---	---------------

TRANSFER AGENTS AND REGISTRARS

GUARANTY TRUST COMPANY OF CANADA	-	-	-	-	-	-	-	-	-	Toronto, Ont.
----------------------------------	---	---	---	---	---	---	---	---	---	---------------

HEAD OFFICE

SUITE 407, 25 ADELAIDE ST. W.	-	-	-	-	-	-	-	-	-	Toronto, Ont.
-------------------------------	---	---	---	---	---	---	---	---	---	---------------

MINE OFFICE

BARRAUTE, QUEBEC

ANNUAL MEETING

Tuesday, 21st October, 1958, Room 405, 25 Adelaide St. West,
Toronto, Ontario, 2:00 P.M. Toronto Time.

BARVUE MINES LIMITED
SUITE 407, 25 ADELAIDE STREET WEST,
TORONTO 1, ONTARIO.

President's Report

To the Shareholders of
BARVUE MINES LIMITED

Dear Shareholder:

Enclosed herewith are the following:

(a) Notice calling a general and the annual meeting of shareholders of the Company for Tuesday, October 21, 1958.

(b) Copy of the Company's financial statement for the year ended December 31, 1957 including Balance Sheet, Notes to Balance Sheet, Statement of Income, Statement of Earned Surplus and Auditors' Report dated August 21, 1958.

(c) Copy of the report of Mr. M. A. Cooper, former General Manager of the company's operations.

(d) Copy of the Company's financial statement for the six months' period ended June 30, 1958 Balance Sheet, Notes to Balance Sheet, Statement of Income, Statement of Earned Surplus and Auditors' Report dated August 21, 1958, Schedule "A" to the agreement mentioned in (f) below.

(e) Copy of head office financial statement of Golden Manitou Mines Limited as at June 30, 1958 including Balance Sheet, Statement of Profit and Loss, and Schedule of Expenses for the six months' period ended June 30, 1958, Schedule "B" to the agreement mentioned in (f) below.

(f) Copy of agreement entered into between Barvue Mines Limited and Golden Manitou Mines Limited dated September 23, 1958, providing for the acquisition of the undertaking of Golden Manitou Mines Limited and all its assets as an entirety for the consideration on the terms and subject to the conditions therein set out.

(g) Copy of a proposed agreement between Barvue Mines Limited, Golden Manitou Mines Limited and National Trust Company Limited, as Trustee dated September, 1958, Schedule "C" to the agreement mentioned in (f) above.

(h) Copy of the President's Report to the Shareholders of Golden Manitou Mines Limited, dated September 23, 1958.

(i) Copy of Special Resolution passed by the directors on September 23, 1958 authorizing an application for supplementary Letters Patent decreasing and increasing the capital of the Company and changing the name to Manitou Consolidated Mines Limited or such other name as may be acceptable to the Deputy Provincial Secretary of Ontario.

(j) Copy of Special Resolution passed by the Directors on September 23, 1958 providing for an increase in the number of directors from 5 to 7 and that 3 thereof shall constitute a quorum.

(k) Form of Proxy.

(l) Reply envelope.

The financial statement for the year ended December 31, 1957 discloses that the company suffered an operating loss of \$1,449,914.45. This loss resulted from the relatively high proportion of development work undertaken preparatory to underground mining operations as against the open pit operations formerly carried on, the decrease in the tonnage available from underground, only 360,000 tons having been mined and milled from January 1, 1957 until the closing of the mine in September 1957 and the sharp drop in the price of zinc from 13¢ to 10¢ per pound coupled with the high discount on U.S. funds.

When it became apparent that with zinc at 10¢ per pound the Company could not earn sufficient to pay interest charges and meet its obligations to creditors, all mining operations were suspended in September 1957. Default having occurred under the Deed of Trust securing the Company's 5% Series "A" and 4½ % Series "B" First Mortgage Bonds, pursuant to an order made in the Supreme Court of Ontario on October 4, 1957, Mr. John Leonard Biddell of The Clarkson Company Limited was appointed Receiver and Manager of the Company and is now in possession of the Company's properties and undertaking.

As set out in the accompanying President's Report to the shareholders of Golden Manitou Mines Limited, your directors in co-operation with the directors of Golden Manitou Mines Limited, have conducted negotiations with the Receiver and Manager and with the Company's bondholders for the compromise arrangement as therein outlined. The reconstitution of the capital stock of the Company as contemplated by the Special Resolution herewith is a prerequisite.

Your directors are of the opinion that the proposed acquisition of the undertaking and assets of Golden Manitou Mines Limited on the terms of the enclosed agreement and the carrying out of the proposed compromise with the creditors and bondholders will save the Company from bankruptcy and should result in the preservation of the valuable assets of both companies for the ultimate benefit of the shareholders.

We desire to have as many shareholders as possible represented at this meeting. If you are unable to attend in person, will you be good enough to sign the enclosed proxy and mail the same to the Company at the address above. A reply envelope has been enclosed for your convenience.

On behalf of the Board of Directors.

Yours very sincerely,

"H. W. KNIGHT", President.

September 23, 1958.

BARVUE MINES LIMITED

General Manager's Report

The following report covers the operations of Barvue Mines Limited during the period from January 1st 1957 to suspension of mining operations in September 1957.

GENERAL

A sharp drop in zinc markets from 13¢ to 10¢ coupled with the discount on United States funds at mid-year, resulted in serious operating losses during the third quarter of the year. Since the near term outlook for zinc metal markets at that time was not favourable it was necessary in September to close the operation. The mine was allowed to flood but the underground and surface equipment were stored in good condition pending a resumption of mining operations as soon as zinc markets improve.

MINING

The underground development programme which was started in the fall of 1955 was about 90% complete by September 1957. The inclined tunnel designed to provide access to the 500 level together with the access tunnels to the sub-levels were complete. Practically all the initial stope development work was completed above the 500 level, and had operations not been suspended in September stoping in the central part of the ore body would have been underway within a month. Development work at the 500 foot horizon was only about 50% complete in September. However practically all of the remaining work is at the extremities of the ore section and is not expected to interfere with normal stoping operations.

The following table summarizes the underground development work completed during the year.

ITEM	FEET
Drifting and Cross cutting	15,927
Raising	666
Diamond Drilling	12,564

MILLING

During the period the underground workings were being prepared the mill was fed from ore derived from the development headings. It was originally planned to make these openings larger than necessary to maintain the mill feed at a rate of about 100,000 tons per month. However ground conditions were not as good as had been indicated in the early work and some of these headings had to be reduced in size. As a result the tonnage available to the mill during the year was much below normal.

The following table summarizes the milling statistics for the year 1957.

ITEM:	
Tons Milled	360,119
HEAD GRADE:	
Zinc	3.3%
Silver	1.3 oz. per ton
RECOVERIES::	
Zinc	93.02%
Silver	81.37
Zinc Produced	22,044,544 pounds
Lead	91,834 pounds
Silver	380,740 ounces

ORE RESERVES

There was no new ore added to these reserves from the first of the year. After allowing for the 384,705 tons milled since January 1st, 1957, by subtraction the ore remaining in the ground is estimated as follows:

ORE CATEGORY	TONS	GRADE	
		ZINC %	SILVER OZS.
Assured reserves above the 500 level . .	3,458,000	3.5	1.2
Possible ore between 650 and 500' levels	600,000	3.6	2.0
Total	<u>4,058,000</u>	<u>3.5</u>	<u>1.3</u>

The above reserves allow for a reasonable amount of mining dilution.

A limited amount of drilling below the 500 level has indicated a block of ore between the 500 foot and 650 foot levels in the central part of the mined area. Tentative plans were to remove this section of ore by continuing the tunnel to the 650 foot horizon and since preliminary estimates suggested that a reasonable profit could be made by mining the ore by this means this tonnage was included in the ore reserves.

"M. A. COOPER"

September 23, 1958

GOLDEN MANITOU MINES LIMITED

SUITE 407, 25 ADELAIDE STREET WEST,
TORONTO 1, ONTARIO.

President's Report

To the Shareholders of
GOLDEN MANITOU MINES LIMITED.

Dear Shareholder:

Enclosed herewith are the following:

- a) Notice calling a general and the annual meeting of the shareholders of the Company for Tuesday, October 21, 1958.
- b) Copy of the Company's financial statement for the year ended December 31, 1957, including Balance Sheet, Notes to Balance Sheet, Statement of Income, Statement of Earned Surplus and Auditors' Report dated August 20, 1958.
- c) Copy of the report of the General Manager, Mr. M. A. Cooper, for the year 1957.
- d) Copy of head office financial statement as at June 30, 1958, including Balance Sheet, Statement of Profit and Loss and Schedule of Expenses for the six months' period ended June 30, 1958, Schedule "B" to the agreement mentioned in f) and g) below.
- e) Copy of the Supplemental Report of the General Manager, M. A. Cooper, for the period January 1 to June 30, 1958.
- f) Copy of the Special Resolution passed by the Board of Directors on September 23, 1958, authorizing the sale of all of the Company's assets and its undertaking as an entirety to Barvue Mines Limited (hereinafter referred to as "Barvue"), for the consideration, on the terms and subject to the conditions set forth and contained in a written agreement between Barvue and Golden Manitou dated September 23, 1958, the dissolution of the Company and the surrender of the Company's Letters Patent.
- g) Copy of the last mentioned agreement.
- h) Copy of the financial statement of Barvue as at June 30, 1958, including Balance Sheet, Notes to Balance Sheet, Statement of Earned Surplus and Auditors' Report dated August 21, 1958, Schedule "A" to the agreement mentioned in f) and g) above.
- i) Copy of the proposed agreement between Barvue, Golden Manitou and National Trust Company Limited dated the day of September, 1958, Schedule "C" to the agreement mentioned in f) and g) above.
- j) Form of Proxy.
- k) Reply envelope.

The financial statement for the year ended December 31, 1957, discloses that Golden Manitou suffered a loss of \$82,683.85 on its operations. Recovery and adjustment of income taxes reduced the loss to \$41,093.60. While economies were effected in practically all departments of the operations and the tonnage of copper ore mined and milled was substantially increased resulting in a reduction in mine operating costs from \$6.42 per ton in 1956 to \$5.45 per ton in 1957, management was not able to overcome the adverse effect of the sharp decline in copper prices from a high of 33.4 cents per pound at the start of the year to 22.2 cents at year end and a similar drop in zinc and lead prices from 13.5 cents and 16 cents to 10 cents and 13 cents respectively.

With further economies and a decrease in development work, the average mine operating costs for the first six months of 1958 have been further reduced from \$5.45 per ton in 1957 to the present average of \$5.25 resulting in an indicated operating profit for the six months' period of \$47,899.90

as set forth in the accompanying Statement of Profit and Loss for this period. Ore presently developed and inferred in the mine is sufficient to last at least three years if development is kept at a minimum, and if the market price for copper and lead continues steady at current prices, your directors anticipate a modest increase in profits from the operations for the remainder of the year.

As an indication of how the market price of base metals affects the operations, we would like to direct your attention to the production figures in the accompanying Supplemental Report of the General Manager for the first six months' period of this year, namely:

ZINC	13,035,931 pounds
LEAD	1,286,110 pounds
COPPER	3,737,502 pounds
TOTAL	18,059,543 pounds

If the same rate of production is maintained for the remainder of the year and in subsequent years, the annual rate will be 36,119,086 pounds. An overall increase in price of only 1 cent per pound on these metals would provide in excess of \$360,000 of increase in annual revenue.

Taking a look at Barvue, where ore reserves are estimated at 4,058,000 tons grading 3.5% zinc and 1.3 ounces of silver per ton, an increase of each one cent per pound in the price of zinc will have a much greater bearing on the annual earnings. Based on past experience, mining and milling only 3,000 tons of ore per day should produce at least 66,000,000 pounds of zinc annually. Each one cent increase in the price of zinc would therefore increase the annual gross revenue by about \$660,000. With zinc at 13 cents per pound, a substantial profit can be made on the remaining ore reserves.

When it became apparent that Barvue could not earn sufficient to pay interest charges and meet its obligations to creditors with zinc at 10 cents per pound, all mining operations were suspended in September 1957. Default having occurred under the Deed of Trust securing Barvue's 5% Series "A" and 4½% Series "B" First Mortgage Bonds, pursuant to an Order made in the Supreme Court of Ontario on October 4th, 1957, Mr. John Leonard Biddell of The Clarkson Company Limited was appointed Receiver and Manager of Barvue and is now in possession of Barvue's properties and undertaking.

Golden Manitou, as principal shareholder of Barvue, having guaranteed the payment of Barvue's First Mortgage Bonds, as set out in Note 1 to the accompanying Balance Sheet of December 31, 1957, has been called upon to make payment. The amount owing on the 5% Series "A" Bonds, for which Golden Manitou is liable, is \$3,444,086.33, together with interest at 5¾% per annum from August 31, 1958. The amount owing on the 4½% Series "B" Bonds for which Golden Manitou is liable is \$1,000,000 in U.S. funds together with interest at 4½% per annum from July 1, 1957, and \$1,801,109.97 in Canadian funds together with interest at 4½% per annum from January 1, 1957.

Both Golden Manitou and Barvue are facing actions which, if carried out, would force them into bankruptcy.

With full belief that the prices of zinc, copper and lead will improve in the future, your directors have conducted negotiations with the Receiver and Manager and with Barvue's bondholders for a compromise arrangement which would permit Golden Manitou to continue mining operations at its mine and allow it to preserve Barvue's assets substantially intact so that mining operations thereat can be resumed when the price of zinc justifies so doing.

As a first step in the proposed compromise arrangement it is necessary that the assets of both companies be consolidated under one company. Since for tax purposes, Barvue has mine buildings, plant and equipment at book value of \$9,650,813.50 available for depreciation against Golden Manitou's \$377,818.55, and Deferred Charges of \$2,273,160.16 available for write-off as against Golden Manitou's \$41,087.56, it became quite evident that the consolidation would be most advantageously effected by the sale of all of Golden Manitou's assets and undertaking as an entirety to Barvue. Accordingly, the accompanying agreement between Barvue and Golden Manitou was entered into on September 23, 1958. Full details of the proposed compromise arrangement are set forth in this agreement and the accompanying proposed agreement, Schedule "C" thereto.

In short, the arrangement, if carried out after the approval by the shareholders of both companies and acceptance by the creditors including bondholders of a proposal under the Companies' Creditors Arrangement Act, will have the following results:

1. The reconstitution of Barvue's capital structure by a decrease in the capital through the cancellation of 1,205,560 shares of Barvue held by Golden Manitou and 9 out of every 10 shares held by all other shareholders, and then an increase in capital to 8,500,000 shares of \$1.00 par value each.
2. A change in Barvue's name to Manitou Consolidated Mines Limited or such other name as may be acceptable to the Provincial Secretary of Ontario.

3. The sale of all of Golden Manitou's assets and its undertaking as an entirety to Barvue for 700,000 shares of its capital stock as reconstituted; release by Golden Manitou of all claims against Barvue and the surrender for cancellation of the 4½ % Series "B" Bonds held by Golden Manitou.

4. The pro rata distribution of the said 700,000 shares amongst the shareholders of Golden Manitou, that is, on the basis of one share thereof for every five issued shares of the capital stock of Golden Manitou, and the winding-up and dissolution of Golden Manitou.

5. The creation by Manitou Consolidated Mines Limited of a new issue of 6% First Mortgage Bonds, of which approximately \$3,500,000 will be Series "A" Bonds and will be used to settle Barvue's indebtedness on its present 5% Series "A" Bonds and \$1,500,000 will be Series "B" Bonds and will be available to provide finances for Manitou Consolidated Mines Limited.

6. The holders of Barvue's present 4½ % Series "B" Bonds, other than Golden Manitou, will receive shares of Manitou Consolidated Mines Limited at the rate of 75¢ per share in settlement of Barvue's indebtedness to them for principal and interest. All of the shares so issued will be held in trust until the principal amount of the 6% First Mortgage Bonds outstanding has been reduced to \$2,000,000. Thereafter for every \$25,000 principal amount of the 6% First Mortgage Series "A" Bonds that are purchased or redeemed by Manitou Consolidated Mines Limited, 25,000 of the shares so held will be transferred by the Trustee to the parties entitled thereto and the remainder when all of the said Series "A" Bonds have been retired.

7. Unsecured creditors of Barvue will receive shares of Manitou Consolidated Mines Limited in settlement of their claims at the rate of \$1.50 per share, save that other arrangements may be made with unsecured creditors who may have preferential claims.

8. Golden Manitou will be discharged from its liability to Barvue bondholders. All Golden Manitou's other liabilities will be assumed and paid by Manitou Consolidated Mines Limited.

A draft of the proposed written instrument referred to as Exhibit 2, a draft of the proposed Deed of Trust referred to as Exhibit 3, and a draft of proposed directions and instructions referred to as Exhibit 4 in the accompanying proposed agreement mentioned in i) above may be inspected by any registered shareholder at the head office of this Company at any time during reasonable business hours up to the day of the meeting.

Your directors are hopeful that the consolidation and compromise arrangement if carried out will not only save this Company and Barvue from bankruptcy but should result in the preservation of the valuable assets of both companies for the eventual benefit and profit of all shareholders.

We desire to have as many shareholders as possible represented at this meeting. If you are unable to attend in person will you be good enough to sign the enclosed proxy and mail the same to the Company at the address above. A reply envelope has been enclosed for your convenience.

On behalf of the Board of Directors,

Yours very sincerely,

"H. W. KNIGHT"

President.

September 23, 1958.

BARVUE MINES

Incorporated in the Province of Ontario

Balance Sheet

ASSETS

CURRENT ASSETS:

Accounts receivable	8,149.19	
Prepaid expenses	48,217.96	56,367.15
		<hr/>

INVENTORY OF SUPPLIES as determined by responsible officials and certified to be valued at cost

465,251.19

FIXED ASSETS:

Mining claims and surface rights at consideration given therefor consisting of 700,000 shares of capital stock at 10¢ per share and \$90,651.60 cash

160,651.60

Mine building plants and equipment, at cost (Note 1)

9,910,808.70 10,071,460.30

DEFERRED CHARGES (Note 1):

Open pit and underground preparation

1,076,304.94

Preliminary exploration, administration and financing expense ..

1,196,855.22 2,273,160.16

\$12,866,238.80

AUDITORS' REPORT

To the Shareholders of
Barvue Mines Limited.

We have examined the balance sheet of Barvue Mines Limited as at December 31, 1957 and the statements of income and earned surplus for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the above balance sheet, supplemented by the accompanying notes and statements of income and earned surplus present fairly the financial position of the company as at December 31, 1957 and the results of its operations for the year ended on that date.

THORNE, MULHOLLAND, HOWSON & McPHERSON

Toronto, Ontario,
August 21, 1958.

Chartered Accountants

LIMITED

Laws of Ontario

December 31, 1957

LIABILITIES

CURRENT LIABILITIES:

Bank overdraft (secured by Series A bonds)	3,249,138.02	
Accounts payable (Note 2)	768,375.75	
Advances on production less concentrates in process of settlement	125,711.87	
Accrued interest on bonds (Notes 3 and 7)	150,607.69	
Due to receiver (Note 4)	13,909.65	4,307,742.98

ADVANCES FROM GOLDEN MANITOU MINES LIMITED (Note 5)		36,869.56
--	--	-----------

FIRST MORTGAGE BONDS (Notes 5, 6 and 7):

Authorized and issued:

Series A 5% payable on demand	3,500,000.00	
Series B 4½ % payable January 1, 1963	2,783,695.41	
Series B 4½ % payable January 1, 1963 in U.S. funds	1,000,000.00	
	7,283,695.41	
Less Series A bonds deposited with bank as collateral security	3,500,000.00	3,783,695.41

CAPITAL STOCK AND EARNED SURPLUS:

Capital stock (Note 6)

Authorized, 3,500,000 shares of \$1.00 par value		
Issued, 3,205,560 shares	3,205,560.00	
Less Discount thereon	2,563,875.00	
	641,685.00	
Earned surplus	4,096,245.85	4,737,930.85

\$12,866,238.80

The accompanying notes are an integral part of this balance sheet and should be read in conjunction therewith.

Approved on behalf of the Board.

"H. W. KNIGHT", Director.

"S. A. PERRY", Director.

BARVUE MINES LIMITED

NOTES TO BALANCE SHEET

December 31, 1957

1. No provision has been made for depreciation of fixed assets or for amortization of pre-operating expenses since the inception of the company.
2. Not included in accounts payable are certain accrued legal, audit, receiver's and other fees, the amount of which cannot at present be determined.
3. Accrued bond interest consists of \$64,233.15 due July 1, 1957 and \$86,374.54 due January 1, 1958.
4. On October 4, 1957 the company went into receivership by order of the Supreme Court of Ontario. The balance due to the receiver represents the excess of his payments over his receipts to December 31, 1957. No provision has been made for receiver's fees (See also note 2).
5. Negotiations are in progress to effect the merger of the company with Golden Manitou Mines Limited by acquisition of that company's assets on terms which have not yet been settled.
6. An option is outstanding whereby each holder of Series B bonds may purchase 75 shares of capital stock at \$1.50 per share for each \$1,000.00 par value of bonds held or a total of 283,776 shares. The option is good until Series B bonds are paid, redeemed or purchased by the company.
7. Golden Manitou Mines Limited has guaranteed payment of \$6,283,695.41 in Canadian funds and \$1,000,000.00 in United States funds, and of interest thereon.

BARVUE MINES LIMITED

Statement of Income

Year ended December 31, 1957

Production		1,286,487.81
OPERATING EXPENDITURE:		
Mining	1,403,913.76	
Milling	412,175.28	
General mine expense	432,943.94	
Administration expense	27,801.42	2,276,834.40
		<hr/>
Operating loss		990,346.59
Shut-down expenses		114,507.39
		<hr/>
		1,104,853.98
Bond interest	171,089.73	
Overdraft interest	173,970.74	345,060.47
		<hr/>
Loss for year without allowance for depreciation of fixed assets or amortization of pre-operating expenses		\$1,449,914.45
		<hr/> <hr/>

Statement of Earned Surplus

Year ended December 31, 1957

Earned surplus, December 31, 1956		5,616,204.74
LESS:		
Loss for year	1,449,914.45	
Loss on disposal of fixed assets	70,044.44	1,519,958.89
		<hr/>
Earned surplus, December 31, 1957		\$4,096,245.85
		<hr/> <hr/>

BARVUE MI

Incorporated under the laws of the Province of Ontario

Balance Sheet

ASSETS

CURRENT ASSETS:

Accounts receivable	23,388.13	
Cash in hands of receiver (Note 1)	231,688.17	
Prepaid expenses	20,468.96	275,545.26

INVENTORY OF SUPPLIES (Note 2)		354,622.93
--------------------------------------	--	------------

FIXED ASSETS:

Mining claims and surface rights at consideration given therefor consisting of 700,000 shares of capital stock at 10¢ per share and \$90,651.60 cash	160,651.60	
Mine buildings, plant and equipment (Notes 2 and 3)	9,650,813.50	9,811,465.10

DEFERRED CHARGES (Note 3):

Open pit and underground preparation	1,076,304.94	
Preliminary exploration, administration and financing expense ..	1,196,855.22	2,273,160.16

\$12,714,793.45

AUDITORS' REPORT

To the Shareholders of
Barvue Mines Limited.

We have examined the balance sheet of Barvue Mines Limited as at June 30, 1958 and the statement of earned surplus for the six months' period ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the above balance sheet, supplemented by the accompanying notes and statement of earned surplus present fairly the financial position of the company as at June 30, 1958 and the results of its operations for the period ended on that date.

"THORNE, MULHOLLAND, HOWSON & McPHERSON"

Toronto, Ontario,
August 21, 1958.

Chartered Accountants

ES LIMITED

the laws of Ontario

June 30, 1958

LIABILITIES

CURRENT LIABILITIES:

Bank overdraft (secured by Series A bonds)	3,249,190.39	
Accounts payable (Note 4)	966,073.75	
Advances on production, less concentrates in process of settlement	125,711.87	
Accrued interest on bonds (Notes 5 and 8)	<u>236,412.70</u>	4,577,388.71

ADVANCES FROM GOLDEN MANITOU MINES LIMITED (Note 6)	27,782.09
---	-----------

FIRST MORTGAGE BONDS (Notes 6, 7 and 8):

Authorized and issued:

Series A 5% payable on demand	3,500,000.00	
Series B 4½% payable January 1, 1963	2,783,695.41	
Series B 4½% payable January 1, 1963 in U.S. funds ..	<u>1,000,000.00</u>	
	7,283,695.41	
Less Series A bonds deposited with bank as collateral security	<u>3,500,000.00</u>	3,783,695.41

CAPITAL STOCK AND EARNED SURPLUS:

Capital stock (Note 7):

Authorized, 3,500,000 shares of \$1.00 par value		
Issued, 3,205,560 shares	3,205,560.00	
Less Discount thereon	<u>2,563,875.00</u>	
	641,685.00	
Earned surplus	<u>3,684,242.24</u>	4,325,927.24

\$12,714,793.45

The accompanying notes form an integral part of this balance sheet and should be read in conjunction therewith.

Approved on behalf of the Board.

"H. W. KNIGHT", Director.

"S. A. PERRY", Director.

BARVUE MINES LIMITED

NOTES TO BALANCE SHEET

June 30, 1958

1. On October 4, 1957, the company went into receivership by order of the Supreme Court of Ontario. Cash in hands of the receiver represents the excess of his receipts over his payments to June 30, 1958. No provision has been made for the receiver's fees (See also Note 4).

2. The inventory of supplies is as determined by responsible officials and is certified to be valued at cost, less proceeds of \$37,227.97 from certain items sold by auction in June, 1958, the cost of which is not immediately determinable.

Likewise mine buildings, plant and equipment are valued at cost less net proceeds of \$179,772.03 from the sale by auction of certain items.

3. No provision has been made for depreciation of fixed assets or for amortization of pre-operating expenses since the inception of the company.

4. Not included in accounts payable are certain accrued legal, audit, receiver's and other fees, the amount of which cannot at present be determined.

5. Accrued bond interest consists of the following:

Due July 1, 1957.....	64,233.15
Due January 1, 1958.....	86,374.54
Due July 1, 1958.....	85,805.01
	<u>\$236,412.70</u>

6. Negotiations are in progress to effect the merger of the company with Golden Manitou Mines Limited by acquisition of that company's assets on terms which have not yet been settled.

7. An option is outstanding whereby each holder of Series B bonds may purchase 75 shares of capital stock at \$1.50 per share for each \$1,000 par value of bonds held or a total of 283,776 shares. The option is good until Series B bonds are paid, redeemed or purchased by the company.

8. Golden Manitou Mines Limited has guaranteed payment of \$6,283,695.41 in Canadian funds and \$1,000,000.00 in United States funds, and of interest thereon.

Statement of Earned Surplus

Six months' period ended June 30, 1958

Earned surplus, December 31, 1957	4,096,245.85
LESS:	
Shut-down expenses	162,154.44
Loss on disposal of fixed assets (Note 3)	70,056.20
Administration expense (Note 5)	1,336.61
Bond interest	85,805.01
Overdraft interest	92,651.35
	<u>412,003.61</u>
Earned surplus, June 30, 1958	<u>\$3,684,242.24</u>

(Acquisition Agreement)

THIS AGREEMENT made and entered into this 23rd day of September, 1958.

BETWEEN:

BARVUE MINES LIMITED, a Corporation having its Head Office in the City of Toronto, in the Province of Ontario, hereinafter called "Barvue"

OF THE FIRST PART

— and —

GOLDEN MANITOU MINES LIMITED, a Corporation having its Head Office in the said City of Toronto, hereinafter called "Manitou"

OF THE SECOND PART

(A) WHEREAS the authorized capital of Barvue is divided into 3,500,000 shares of the par value of \$1.00 each of which at the date hereof there are 3,205,560 shares issued and outstanding as fully paid and non assessable;

(B) AND WHEREAS Manitou owns 1,253,295 shares of the capital stock of Barvue;

(C) AND WHEREAS the authorized capital of Manitou is divided into 3,500,000 shares of the par value of \$1.00 each of which at the date hereof there are 3,500,000 shares issued and outstanding as fully paid and non-assessable;

(D) AND WHEREAS by Indenture dated as of January 1st, 1956, between Barvue and National Trust Company, Limited, as Trustee, (hereinafter referred to as "the Trust Deed") Barvue has hypothecated, mortgaged, pledged and charged by way of a first fixed and specific hypothec, mortgage, pledge and charge and by way of a floating charge all of its properties and undertaking to the National Trust Company, Limited (hereinafter referred to as "the Trustee"), as Trustee, to secure the payment of 5% Series "A" Bonds issued under the provisions of the Trust Deed in the aggregate principal amount of \$3,500,000 payable in Canadian Funds and 4½ % Series "B" Bonds issued under the provisions of the Trust Deed in the aggregate principal amount of \$1,000,000 payable in funds of the United States of America and \$2,783,695.41 payable in Canadian funds;

(E) AND WHEREAS the 5% Series "A" Bonds aforesaid are held as collateral security for an indebtedness of Barvue in the amount of \$3,444,086.33 plus interest accruing thereon from August 31st, 1958, at 5¾ % per annum, the 4½ % Series "B" Bonds payable in funds of the United States of America are held by the following in the amounts set opposite their respective names:

T. W. Phillips Gas and Oil Company Limited	\$600,000.00
Pennsylvania Investment and Real Estate Corp.	\$400,000.00

and the 4½ % Series "B" Bonds payable in Canadian funds are held by the following in the amounts set opposite their respective names:

Quebec Manitou Mines Limited	\$ 640,000.00
H. W. Knight	\$1,161,109.97
Manitou	\$ 982,585.44

(F) AND WHEREAS interest on the said 5% Series "A" and 4½ % Series "B" Bonds is in arrears;

(G) AND WHEREAS default has occurred under the Trust Deed and the Trustee has demanded payment of the said 5% Series "A" Bonds and the 4½ % Series "B" Bonds;

(H) AND WHEREAS pursuant to an Order made in the Supreme Court of Ontario on October 4, 1957, Mr. John Leonard Biddell of The Clarkson Company Limited (hereinafter referred to as "the Receiver") was appointed Receiver and Manager of Barvue and is now in possession of Barvue's properties and undertaking;

(I) AND WHEREAS by Indenture dated as of January 1, 1956, between Manitou and the Trustee, Manitou has guaranteed the payment of the 5% Series "A" and 4½ % Series "B" Bonds secured by the Trust Deed as aforesaid;

(J) AND WHEREAS the assets and liabilities of Barvue according to the books and records thereof as at June 30, 1958, are substantially as set forth in the Balance Sheet attached hereto and marked Schedule "A";

(K) AND WHEREAS the assets and liabilities of Manitou according to the books and records thereof as at June 30, 1958, are substantially as set forth in the Balance Sheet attached hereto and marked Schedule "B";

(L) AND WHEREAS Barvue and Manitou have the same or similar objects and it is desirable and in the interest of Barvue and Manitou and their respective shareholders to consolidate their respective assets and undertakings for the considerations, on the terms and subject to the conditions hereinafter set forth;

WITNESSETH THAT it is hereby agreed by and between the parties hereto as follows:

1. Manitou shall as expeditiously as possible reduce its holdings of shares of capital stock of Barvue to 1,205,560 by the sale of 47,735 shares.

2. Forthwith after receipt of written advice from Manitou that it has so reduced its holdings, Barvue shall take the appropriate corporate actions to call and hold a meeting of its Board of Directors and to pass thereat

(a) a special resolution authorizing an application to the Lieutenant Governor of the Province of Ontario for Supplementary Letters Patent

(i) decreasing the authorized capital of Barvue from \$3,500,000 to \$494,440 by cancelling the 1,205,560 shares of the par value of \$1.00 each of the capital stock of Barvue held by Manitou and by cancelling pro rata 1,800,000 shares of the par value of \$1.00 each of the issued shares held by all other shareholders of Barvue, that is by cancelling 9 out of every 10 shares held by all such other shareholders;

(ii) then increasing the authorized capital of Barvue from \$494,440 to \$8,500,00 by creating 8,005,560 additional shares of the par value of \$1.00 each;

(iii) changing the name of Barvue to Manitou Consolidated Mines Limited or such other name as may be acceptable to the Deputy Provincial Secretary of Ontario;

(b) a resolution authorizing a proposal to the holders of the 5% Series "A" Bonds and the holders of 4½% Series "B" Bonds as set out in Schedule "C" hereto and to the creditors of Barvue under the provisions of the Companies' Creditors Arrangement Act (Canada) and Amendments thereto providing among other things for the settlement of the liabilities of Barvue to its unsecured creditors other than Manitou by the issue of shares of the capital stock of Barvue as constituted after the issuance of Supplementary Letters Patent as aforesaid at the rate of \$1.50 per share;

(c) a resolution authorizing a proposal to the Trustee for the settlement of Barvue's liabilities to the holders of the 5% Series "A" Bonds and the holders of the 4½% Series "B" Bonds other than Manitou on the terms and subject to the conditions set forth in an agreement in writing to bear even date herewith between Barvue, Manitou and the Trustee, a copy of which is attached hereto and marked Schedule "C";

(d) a resolution authorizing the acquisition of all assets of Manitou for the consideration, on the terms and subject to the conditions in this agreement set forth and provided;

(e) a special resolution increasing the number of directors of Barvue from 5 to 7 and providing that three (3) directors shall constitute a quorum at any meeting of the Board of Directors; and

(f) a resolution authorizing and directing the calling and holding of a general meeting of Barvue's shareholders for the purpose of considering and if deemed advisable ratifying, approving and confirming (with or without modification) the special resolutions passed by the Board of Directors pursuant to paragraphs (a) and (e) above and the other resolutions passed by the Board of Directors pursuant to paragraphs (b) and (c) above and the acquisition of all the assets of Manitou pursuant to the resolutions to be passed as set forth in paragraph (d) above and this agreement.

3. Manitou shall take all appropriate corporate actions to call and hold a meeting of its Board of Directors and to pass thereat

(a) a resolution authorizing the sale of 47,735 shares of the capital stock of Barvue as agreed in paragraph 1 above;

(b) a special resolution authorizing the sale of all its assets to Barvue for the consideration on the terms and subject to the conditions in this agreement set forth and provided;

(c) a resolution authorizing Manitou to join with Barvue in the proposal to be made by Barvue to the Trustee for the settlement of Barvue's liabilities to the holders of the 5% Series "A" and the 4½% Series "B" Bonds as aforesaid on the terms set forth in the agreement Schedule "C" hereto and authorizing the execution by Manitou of the said agreement and to waive any claim Manitou may have as a holder of 4½% Series "B" Bonds;

(d) a resolution authorizing Manitou to consent to the proposal to be made by Barvue to its unsecured creditors as set forth in paragraph 2(b) above and to waive any claim it may have against Barvue as an unsecured creditor;

(e) a resolution authorizing and directing the calling and holding of a general meeting of Manitou's shareholders for the purpose of considering and if deemed advisable ratifying, approving and confirming the special resolution passed by the Board of Directors of Manitou pursuant to paragraph 3(b) hereof and the sale to Barvue of all of Manitou's assets for the consideration, on the terms and subject to the conditions in this agreement set forth and provided.

4. A copy of this agreement shall be filed with the Toronto Stock Exchange forthwith after the resolutions of the Boards of Directors of Barvue and Manitou have been passed as aforesaid, and each Barvue and Manitou shall prepare and file with the Toronto Stock Exchange an appropriate Filing Statement and such other data as may be required by the by-laws, rules and regulations of said Exchange.

5. Manitou hereby agrees to sell and Barvue hereby agrees to purchase all of Manitou's properties, goods, chattels, effects and assets of every nature and kind and wheresoever situate and Manitou's undertaking as a going concern for the consideration, on the terms and subject to the conditions following, namely:

(a) the consideration shall be

(i) 700,000 fully paid and non-assessable shares of the capital stock of Barvue as constituted after the issuance of Supplementary Letters Patent pursuant to paragraph 2(a) above;

(ii) the assumption by Barvue of all the liabilities of Manitou of every nature and kind and Barvue's covenant and agreement to pay and discharge the said liabilities as the same become due and payable; and

(iii) the assumption by Barvue and its covenant and agreement to pay all fees, charges costs and expenses of and incidental to this agreement and the sale pursuant hereto, including the transfer taxes (if any) payable on the issuance to the shareholders of Manitou of the shares to which they will be entitled as hereinafter provided.

(b) The said 700,000 shares of capital stock of Barvue shall be allotted to the Guaranty Trust Company of Canada, 70 Richmond Street West, Toronto, Ontario, (hereinafter called "the Trust Company") in trust for the shareholders of Manitou with instructions that upon presentation by any shareholder of Manitou of a certificate or certificates representing fully paid and non-assessable shares of the capital stock of Manitou and surrender thereof for cancellation together with payment of all transfer taxes (if any) payable in respect of the shares represented by the certificate so surrendered, the Trust Company shall issue and deliver to the shareholder entitled thereto or as it may be directed in writing by such shareholder, a certificate representing one fully paid and non-assessable share of Barvue for every five shares of Manitou represented by the certificate or certificates so surrendered: Provided that where any person so becomes entitled to a fraction of a share the provisions of Section 37 of The Corporations Act, 1953 (Ontario) shall apply, in respect thereof.

(c) The certificate representing the 1,205,560 shares of Barvue included in the assets of Manitou shall be surrendered to the Trust Company for cancellation and no shares of Barvue as re-constituted shall be issued in respect thereof.

(d) Manitou shall surrender to the Trustee for cancellation the 4½% Series "B" Bonds of Barvue included in its assets and waive any claim it may have against Barvue in respect thereof.

(e) Manitou shall waive any claim it may have against Barvue as an unsecured creditor or otherwise.

(f) The sale shall be completed as soon as conveniently possible after the conditions precedent hereinafter set forth have been complied with.

(g) Pending the transfer to Barvue of the properties and assets of Manitou and the vesting of title thereto in Barvue, Manitou shall be deemed to be holding and shall hold the same in trust for Barvue and for the purpose of facilitating the transfer of the properties and assets of Manitou to Barvue, Manitou shall execute and deliver to Barvue a Power of Attorney in the broadest terms.

(h) Neither party hereto shall be bound to complete the sale unless and until the following conditions precedent have been complied with, namely:

(i) the proposal to be made to the creditors of Barvue under the Companies' Creditors Arrangement Act, and Amendments thereto as set forth in paragraph 2(b) above has been sanctioned by an Order made in the Supreme Court of Ontario;

(ii) the proposal to be made to the Trustee for settlement of Barvue's liabilities to the holders of the Series "A" Bonds and the holders of the Series "B" Bonds as set forth in paragraph 2(c) above has been accepted by said holders and the Trustee;

(iii) Supplementary Letters Patent have been issued by the Lieutenant Governor of the Province of Ontario pursuant to the special resolution passed as in paragraph 2(a) above;

(iv) a Filing Statement has been accepted by the Toronto Stock Exchange so that the shares of Barvue to be issued in trust for the shareholders of Manitou, to Barvue's unsecured creditors and to the holders of Series "B" Bonds other than Manitou, pursuant to the proposals aforementioned may be issued without breaching any by-law, rule or regulation of said Exchange.

6. No variation or modification of the special resolution to be passed by Barvue pursuant to paragraph 2(a) above, nor of the proposal to be made to the unsecured creditors of Barvue as set forth in paragraph 2(b) above, nor of the proposal to the Trustee as set forth in paragraph 2(c) above, shall be binding upon Manitou unless it has consented thereto in writing.

7. The following shall be the Directors of Barvue on completion of the sale, namely:

Harry Wallace Knight, Stockbroker, 561 Avenue Road, Sydney Albert Perry, Mining Executive, 1 Benvenuto Place, Ewart Robertson Angus, Financier, 561 Avenue Road, George Donald Pattison, Chartered Accountant, 235 Dawlish Avenue, Marsh Alexander Cooper, Consulting Geologist, 1405 Avenue Road, all of the City of Toronto, Ontario, and William Y. Denison, Accountant, 189 Carling, Ottawa, Ontario, and one other person to be designated by the Trustee.

8. Pending the completion of the sale, neither of the parties hereto without the consent of the other shall incur any liability or enter into any transaction not contemplated by this agreement other than in the ordinary and usual course of business, nor declare any dividends nor make any other distribution of surplus or earnings.

9. In the event that the conditions precedent aforesaid are not complied with on or before December 31, 1958, or such later date as may be agreed upon, this agreement shall be null and void and of no further force and effect upon the delivery by either of the parties hereto to the other of them of a written notice so declaring.

IN WITNESS WHEREOF the parties hereto have executed this agreement by the signatures of their respective proper officers in that behalf under their respective corporate seals.

BARVUE MINES LIMITED,

Per "H. W. KNIGHT"
President

(C.S.)

Per "S. A. PERRY"
Secretary-Treasurer

GOLDEN MANITOU MINES LIMITED,

Per "H. W. KNIGHT"
President

(C.S.)

Per "S. A. PERRY"
Secretary-Treasurer

PROPOSED
(Secured Creditors Compromise Agreement)

THIS AGREEMENT made and entered into this
BETWEEN:

day of September, 1958.

BARVUE MINES LIMITED, a Corporation having its Head Office in the City of Toronto, in the Province of Ontario, hereinafter called "Barvue"

OF THE FIRST PART,

— and —

GOLDEN MANITOU MINES LIMITED, a Corporation having its Head Office in the said City of Toronto, hereinafter called "Manitou"

OF THE SECOND PART,

— and —

NATIONAL TRUST COMPANY, LIMITED, a Company duly authorized to carry on the business of a trust company in the Provinces of Ontario and Quebec and elsewhere, hereinafter called "the Trustee"

OF THE THIRD PART.

WITNESSETH THAT:

WHEREAS pursuant to that certain Deed of Trust and Mortgage made as of the 1st day of January, 1956, between Barvue and the Trustee, (hereinafter referred to as "the Trust Deed") Barvue has hypothecated, mortgaged, pledged and charged by way of a first fixed and specific hypothec, mortgage, pledge and charge and by way of a floating charge all of its properties and undertaking to the Trustee to secure the payment of 5% Series "A" Bonds issued under the provisions of the Trust Deed in the aggregate principal amount of \$3,500,000 payable in Canadian funds and 4½% Series "B" Bonds issued under the provisions of the Trust Deed in the aggregate principal amount of \$1,000,000 payable in funds of the United States of America and \$2,783,695.41 payable in Canadian funds;

AND WHEREAS the 5% Series "A" Bonds aforesaid are held as collateral security for an indebtedness of Barvue in the amount of \$3,444,086.33 plus interest accruing thereon from August 31st, 1958, at 5¾% per annum, the 4½% Series "B" Bonds payable in funds of the United States of America are held by the following in the amounts set opposite their respective names:

T. W. Phillips Gas and Oil Company Limited	\$600,000.00
Pennsylvania Investment and Real Estate Corp.	\$400,000.00

and the 4½% Series "B" Bonds payable in Canadian funds are held by the following in the amounts set opposite their respective names:

Quebec Manitou Mines Limited	\$640,000.00
H. W. Knight	\$1,161,109.97
Manitou	\$982,585.44

AND WHEREAS interest on the said 5% Series "A" and 4½% Series "B" Bonds is now in arrears;

AND WHEREAS default has occurred under the Trust Deed and the Trustee has demanded payment of the said 5% Series "A" Bonds and the 4½% Series "B" Bonds;

AND WHEREAS pursuant to an Order made in the Supreme Court of Ontario on October 4, 1957 Mr. John Leonard Biddell of The Clarkson Company Limited (hereinafter referred to as "the Receiver") was appointed Receiver and Manager of Barvue and is now in possession of Barvue's properties and undertaking;

AND WHEREAS by Indenture dated as of January 1, 1956, between Manitou and the Trustee, (hereinafter referred to as "the Guarantee") Manitou has guaranteed the payment of the Series "A" and the Series "B" Bonds secured by the Trust Deed as aforesaid;

AND WHEREAS Barvue and Manitou have entered into that certain agreement in writing bearing even date herewith marked for identification as "Exhibit 1" to this agreement, (a copy of which has been delivered to the Trustee prior to the execution hereof) providing among other things for the acquisition by Barvue of the undertaking and all of the assets of Manitou as an entirety for the considerations, on the terms and subject to the conditions therein set out;

AND WHEREAS this agreement sets forth and contains the proposal to be made by Barvue for the settlement of Barvue's liabilities to the holders of the 5% Series "A" Bonds and the holders of the 4½ % Series "B" Bonds aforesaid other than Manitou;

AND WHEREAS Clause 30 of the Trust Deed provides in part as follows:

"The Bondholders shall have the following powers exercisable from time to time by resolution passed as hereinafter provided:—

- (a) Power to agree to any modification, abrogation, alteration, compromise or arrangement of the rights of the Bondholders and/or the Trustee against the Company or against its undertaking, property and assets or any part thereof, whether such rights arise under this Trust Deed or the Bonds or otherwise;"

.....
"The foregoing powers and every other power conferred upon the Bondholders by any provision in this Trust Deed shall be exercisable by resolution passed in either of the following manners:

- (i) Any such resolution may be embodied in an instrument in writing and shall be deemed to be passed when it has been executed by Bondholders holding in the aggregate not less than seventy-five per centum (75%) of the principal amount of all the outstanding Bonds ..."

"Any resolution so passed shall be binding upon the Bondholders and each of them, and the Trustee (subject to the provisions for its indemnity herein contained) shall be bound to give effect thereto accordingly ..."

AND WHEREAS Paragraph 16 of the Guarantee provides as follows:

"This Indenture is entered into pursuant to the provisions of the Trust Deed and all applicable provisions thereof including the provisions respecting the powers, rights and duties of the Trustee shall be deemed to have been incorporated herein and shall apply mutatis mutandis to this Indenture and in particular (without limiting the generality of the foregoing) the provisions of the Trust Deed shall have effect so as to entitle the Guarantor to a release of its obligations hereunder and/or other relief and/or other rights to the extent and in the manner and subject to the conditions contained in the Trust Deed."

AND WHEREAS by instrument or concurrent instruments of similar tenor in writing dated the day of September, 1958, marked for identification as "Exhibit 2" to this agreement, executed by Bondholders holding in the aggregate not less than 75% of the principal amount of all the outstanding Series "A" and Series "B" Bonds, the Bondholders have agreed to the modification, abrogation, alteration, compromise and arrangement of the rights of the Bondholders and/or the Trustee on the terms and subject to the conditions hereinafter set forth, and the Trustee has been authorized, empowered and instructed to execute this agreement and to comply with and give effect to the provisions herein contained for the modification, abrogation, alteration, compromise and arrangement of the rights of the Bondholders and/or the Trustee against Barvue and/or Manitou and against their undertakings, properties and assets;

AND WHEREAS the foregoing recitals are made as representations and statements of fact by Barvue and Manitou and not by the Trustee;

IT IS HEREBY AGREED AND DECLARED as follows:

1. The Trustee hereby consents to the corporate actions to be taken by Barvue to reorganize its capital structure and, to change its name as set forth in paragraph 2(a) of the said agreement marked Exhibit 1.

2. The Trustee hereby consents to the acquisition by Barvue from Manitou and the sale by Manitou to Barvue of all of Manitou's undertaking, property and assets for the considerations, on the terms and subject to the conditions set forth and contained in the said agreement marked Exhibit 1.

3. Barvue and Manitou hereby covenant, undertake and agree with the Trustee

(a) to take all appropriate corporate actions and to do all requisite things by them to be taken and done respectively to implement and carry out the said agreement between them marked Exhibit 1; and

(b) as expeditiously as possible after the receipt by Barvue of Supplementary Letters Patent pursuant to the application to be made therefor as set out in paragraph 2(a) of the said agreement marked Exhibit 1, to execute all documents, instruments and deeds and do all things required

of them or each of them respectively in order to complete the sale to Barvue of Manitou's undertaking, property and assets and to vest title thereto in Barvue.

4. Supplementary Letters Patent as aforesaid having been received by Barvue, Barvue shall forthwith

(a) allot and issue to the Trustee as Trustee a sufficient number of fully paid and non-assessable shares of the capital stock of Barvue as constituted after the issuance of said Supplementary Letters Patent calculated at Seventy-five Cents (75¢) per share in Canadian funds to equal the aggregate principal amount of the 4½ % Series "B" Bonds held by the holders thereof other than Manitou and the interest accrued thereon at the rate aforesaid to the date of the allotment of the said shares; PROVIDED THAT for the purpose of such allotment the amount owing for principal and interest on the 4½ % Series "B" Bonds payable in funds of the United States of America shall be calculated in Canadian funds at the closing rate of exchange quoted by the Bank of Canada on the last business day preceding the date of the allotment of the said shares; PROVIDED FURTHER THAT the Trustee shall hold the said shares in trust for the respective holders of the 4½ % Series "B" Bonds in the amounts to which they are respectively entitled subject to the conditions hereinafter set forth;

(b) authorize the creation and securing of 6% First Mortgage Bonds of Barvue in accordance with and subject to the terms, provisions, covenants, agreements, limitations and conditions contained in the draft Deed of Trust and Mortgage from Barvue to the Trustee which has been marked for identification as Exhibit 3 to this agreement, and complete the said Deed of Trust and Mortgage with the date of said Supplementary Letters Patent, which said date is herein referred to as "the delivery date", execute and deliver the same to the Trustee and thereafter cause the same to be filed and recorded wherever such filing and recording is required, all in compliance with the applicable laws of the Provinces of Ontario and Quebec; PROVIDED THAT the aggregate principal amount of the 6% First Mortgage Series "A" Bonds to be created and secured as aforesaid shall be fixed at the amount owing by Barvue to the holders thereof on the delivery date, and the aggregate principal amount of the 6% First Mortgage Series "B" Bonds to be created and secured as aforesaid shall be limited to \$1,500,000; and

(c) authorize the Trustee to issue and deliver the 6% First Mortgage Series "A" Bonds to be created as aforesaid to the holders of the 5% Series "A" Bonds upon the surrender to the Trustee for cancellation of the 5% Series "A" Bonds.

5. The Trustee shall hold the shares to be allotted and issued to it as aforesaid subject to the following conditions:

(a) The shares to which each holder of 4½ % Series "B" Bonds is entitled in settlement of the principal amount of 4½ % Series "B" Bonds held and interest thereon calculated as in paragraph 4(a) above shall be held in trust for said holder: PROVIDED said holder shall have surrendered his said 4½ % Series "B" Bonds to the Trustee for cancellation;

(b) 25% of the shares held in trust for each holder aforesaid shall be set aside and dealt with by the Trustee in accordance with the directions and instructions set forth in the document marked for identification as Exhibit 4 to this agreement;

(c) None of the remaining 75% of the said shares shall be transferred or delivered to the parties entitled thereto or any part thereof until the total of both the 6% First Mortgage Series "A" Bonds and Series "B" Bonds has been reduced to \$2,000,000. Thereafter for every \$25,000 principal amount of the 6% First Mortgage Series "A" Bonds that are redeemed, the Trustee shall transfer and deliver pro rata to the parties entitled thereto 25,000 of the said shares and the remainder of the said shares shall be transferred and delivered to the parties entitled thereto forthwith after all the 6% First Mortgage Series "A" Bonds have been fully redeemed;

(d) In computing the said 25% division of shares and in computing the number of shares to be distributed pro rata to the parties entitled thereto under sub-paragraph (c) hereof, the Trustee shall be entitled to round fractions to the nearest whole number and to divide or distribute as the case may be the whole shares only

(e) The Trustee shall vote all of the shares held by it in trust as aforesaid from time to time for the election to the Board of Directors of Barvue of one person designated by the holders of the 6% First Mortgage Series "A" Bonds before such election is to be held. On all other matters the Trustee shall vote the said shares in accordance with the written instructions of each of the owners thereof as recorded on the books of the Trustee in respect of the number of shares held in trust for each said owner;

(f) Upon surrender to the Trustee for cancellation of 4½ % Series "B" Bonds, the Trustee shall acknowledge in writing to the person entitled to such acknowledgment and to be recorded on

the books of the Trustee as the owner thereof the number of shares held for said person and the conditions under which the same are being held; and

(g) The recorded owner may transfer the ownership of any or all the said shares from time to time by written direction and payment to the Trustee of the transfer taxes, if any, which are payable in respect of the change in ownership. Before acknowledging or recording any change in ownership the Trustee shall be entitled to have surrendered to it any acknowledgment in writing previously issued to the transferor in respect of the shares so transferred, and to receive from the transferee or transferees and from the transferor in respect of any shares to which he remains entitled, a written acknowledgment that he and/or they will be bound by all the terms and conditions imposed upon the said shares under this agreement and the directions and instructions set forth in Exhibit 4 aforementioned.

6. Forthwith after Barvue and Manitou have fulfilled their covenants and complied fully with all their undertakings and agreements set forth in paragraphs 3 and 4 above, the mortgaged premises as defined in the Trust Deed shall stand released and discharged from the security of the Trust Deed and shall revert to and revest in Barvue without any release, acquittance, reconveyance, re-entry or other act; the Trustee shall execute, acknowledge and deliver to Barvue a full release, reconveyance and discharge of the hypothec, mortgage, pledge, charge, cession or transfer created by the Trust Deed; the Trustee shall execute and deliver to Barvue and Manitou a full and complete release of all claims and demands of whatsoever nature and kind which the Trustee and/or the holders of the said 5% Series "A" and 4½ % Series "B" Bonds or any of them may have by reason of anything contained in the Trust Deed and in the Guarantee aforesaid; and the Trustee shall direct and cause the Receiver to surrender and give up possession of the said mortgaged premises and to account fully to Barvue for its acts as Receiver and Manager pursuant to the Order of the Supreme Court of Ontario aforesaid.

7. The Trustee may from time to time refer any legal question which may arise in connection with the performance of its duties hereunder to counsel for Barvue or its own counsel for an opinion and shall be entitled to rely absolutely upon such opinion.

8. The Trustee shall not be liable for any mistake, or error of judgment nor for any loss arising out of any act, or omission to act, in the execution of any of its duties hereunder, so long as the Trustee acts or omits to act in good faith, nor shall the Trustee be liable for any loss arising out of any mistake, error of judgment, default or omission of any officer, agent, servant or representative of the Trustee so long as such mistake, error of judgment, act, default or omission was in good faith, and the Trustee shall not be obliged to give bond to secure the due performance by the Trustee of its duties hereunder or any part thereof.

9. Barvue hereby covenants and agrees with the Trustee that it will pay to the Trustee reasonable remuneration for its services hereunder and under Exhibit 4 hereof and repay to the Trustee all costs, fees, charges and expenses incurred by it in the execution of its duties hereunder or otherwise by reason of this agreement or anything herein contained.

10. This agreement and everything herein contained shall enure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

IN WITNESS WHEREOF the parties hereto have executed these presents under their respective corporate seals.

BARVUE MINES LIMITED,

Per (C.S.)
President

Per
Secretary-Treasurer

GOLDEN MANITOU MINES LIMITED, (C.S.)

Per
President

Per
Secretary-Treasurer

NATIONAL TRUST COMPANY, LIMITED, (C.S.)

Per
Manager, Corporate Trust Department

Per
Assistant Secretary-Treasurer

GOLDEN MANITOU MINES LIMITED

Balance Sheet

June 30, 1958

ASSETS

Accounts receivable	45,871.85	
Income taxes receivable	44,519.62	
Loans	2,116,057.07	
Investments, at cost	1,257,585.44	
Concentrates and precipitates on hand and in transit	667,748.96	4,131,782.94
Mine stores		470,841.99
Prepaid expenses		35,092.79
		<u>4,637,717.72</u>
Buildings, plant and equipment	2,563,532.36	
Less: reserve for depreciation	2,185,713.81	377,818.55
Mining lands and rights	1,185,938.65	
Deferred shaft charges	41,087.56	
Louvicourt townsite	8,477.68	1,235,503.89
		<u>6,251,040.16</u>

LIABILITIES

Bank of Toronto (overdraft)	131,388.32	
Accounts payable	102,203.01	
Accrued payroll	50,355.64	
Unclaimed dividends	509.03	284,456.00

Capital stock:

AUTHORIZED: 3,500,000 shares of \$1.00 par value		
ISSUED: 3,500,000 shares	3,500,000.00	
LESS: Discount thereon	319,993.00	3,180,007.00

PROFIT AND LOSS ACCOUNT:

Surplus, December 31, 1957	2,738,677.26	
Plus: Profit year to date	47,899.90	2,786,577.16
		<u>6,251,040.16</u>

GOLDEN MANITOU MINES LIMITED

Statement of Profit and Loss

June 30, 1958

	Month of June	39,315 Tons Per Ton Milled	Fiscal Year to Date	237,835 Tons Per Ton Milled
PRODUCTION				
	212,717.36	5.41		1,334,290.46
DEVELOPMENT	13,111.82	.33	59,417.27	.25
MINING	123,743.16	3.15	758,147.75	3.19
MILLING	39,012.63	.99	234,844.55	.99
MARKETING	1,820.42	.05	10,171.60	.04
GENERAL MINE EXPENSE	29,499.22	.75	186,454.94	.78
HEAD OFFICE EXPENSE	8,306.93	.21	33,003.66	.14
INTEREST ON BANK LOAN	402.45	.01	4,347.30	.02
	215,896.63	5.49		1,286,387.07
OPERATING PROFIT/LOSS	— 3,179.27	— .08		47,903.39
LOSS ON SALE OF EQUIPMENT	— 1,603.49		— 3.49	
	— 4,782.76			47,899.90

GOLDEN MANITOU MINES LIMITED

Schedule of Expenses

June 30, 1958

	Month of June		Fiscal Year to Date
Development	13,111.82		59,417.27
Mining	123,743.16		758,147.75
Milling	39,012.63		234,844.55
Marketing	1,820.42	177,688.03	10,171.60 1,062,581.17
GENERAL MINE EXPENSE:			
Office and stores	3,646.29		21,690.22
Travelling	452.59		2,095.83
Clearing surface and roads	1,181.87		7,058.22
Camp and plant maintenance	1,406.34		6,655.07
Insurance	875.00		5,250.00
Workmen's compensation	5,633.05		30,703.62
Unemployment insurance	861.64		5,198.16
Shop charges	284.14		2,298.88
Heating	1,236.62		23,291.81
Sampling and assaying	5,587.28		36,778.05
Engineering	1,510.86		9,695.98
Medical expense	166.90		931.90
Cookery	165.91		1,812.23
Miscellaneous	4,279.84		15,757.88
Employees' bus	1,204.00		10,936.00
Rentals	— 210.00		— 1,260.00
Cash discounts	— 5.84		— 74.76
Group insurance	1,222.73	29,499.22	7,635.85 186,454.94
HEAD OFFICE EXPENSE:			
Salaries — Head Office	625.00		3,750.00
Mine Office	2,250.00		13,500.00
Rent	—		129.00
Stock transfer expense	—		280.09
Telephone and telegraph	86.31		418.28
Lab test work	—		— 2,827.22
Head office administration	625.00		3,750.00
Travelling	—		40.00
Consulting fees	1,000.00		6,000.00
Consulting expense	206.02		1,082.36
Government fees	—		499.52
Quebec Capital Tax	—		2,851.83
Stationery	37.20		41.28
Directors' fees	3,000.00		3,000.00
Legal expense	600.00		600.00
Sundry	— 122.60	8,306.93	— 111.48 33,003.66
Interest on bank loan		402.45	4,347.30
		<u>215,896.63</u>	<u>1,286,387.07</u>

BARVUE MINES LIMITED

COPY OF SPECIAL RESOLUTION TO CHANGE NUMBER OF DIRECTORS

RESOLVED as a Special Resolution of the Company

1. That the number of directors of the Company be and the same is hereby increased from 5 to 7, so that the Board of Directors of the Company shall hereafter be composed of 7 directors;
2. That 3 directors shall constitute a quorum at any meeting of the Board of Directors; and
3. That all prior by-laws, resolutions and proceedings of the Company inconsistent herewith are hereby amended, modified and revised in order to give effect to this resolution.

COPY OF SPECIAL RESOLUTION AUTHORIZING APPLICATION FOR SUPPLEMENTARY LETTERS PATENT

RESOLVED as a special resolution that the Company be and it is hereby authorized to make application to the Lieutenant-Governor of the Province of Ontario, for Supplementary Letters Patent

- (i) decreasing the authorized capital of Barvue Mines Limited from \$3,500,000 to \$494,440 by cancelling the 1,205,560 shares of the par value of \$1.00 each of the capital stock of Barvue Mines Limited held by Golden Manitou Mines Limited and by cancelling pro rata 1,800,000 shares of the par value of \$1.00 each of the issued shares held by all other shareholders of Barvue Mines Limited, that is by cancelling 9 out of every 10 shares held by all such other shareholders;
- (ii) then increasing the authorized capital of Barvue Mines Limited from \$494,440 to \$8,500,000 by creating 8,005,560 additional shares of the par value of \$1.00 each;
- (iii) changing the name of Barvue Mines Limited to Manitou Consolidated Mines Limited or such other name as may be acceptable to the Deputy Provincial Secretary of Ontario.